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C O N F I D E N T I A L BELMOPAN 000624

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DEPARTMENT OF ENERGY FOR LINDSAY EINSTEIN
STATE FOR WHA/CEN -- ROIS BEAL

E.O. 12958: DECL: 10/19/2017
TAGS: [EPET](#) [PGOV](#) [ECON](#) [EFIN](#) [ENRG](#) [KCOR](#) [BH](#)
SUBJECT: (C) CORRUPTION ALLEGATIONS IN THE BELIZE OIL SECTOR

Classified By: Ambassador Robert J. Dieter for reason 1.5d.

11. (C) Summary: Several U.S. firms have complained to the Embassy that bribes are determining which companies are being awarded oil exploration contracts in Belize. One company claims to have recorded several government ministers soliciting bribes. The opposition party has taken the information and gone public. Another political scandal is in the works and the businessman who made the recordings tells us that he fears for his life. End Summary.

Two companies) same song and dance

12. (U) Lagoon Resources: In May 2005 the government awarded oil exploration company Lagoon Resources (a U.S. company) a 2-year Seismic Option Agreement (SOA) to compile and evaluate geological data on six blocks of land (approximately 1.1 million acres). The SOA entitled the government to the results of the seismic studies. Lagoon was free to apply for a full Production Sharing Agreement (PSA) and Lagoon spent USD 100,000 in seismic studies and just prior to expiration of the SOA the government requested a full update of all materials and work completed.

13. (C) Lagoon Resources was subsequently the first to submit a PSA application to the Department of Geology and Petroleum (DGP) for land under the SOA. During negotiations, Lagoon accepted all terms and conditions proposed by the government, including increased royalty and tax rates. Nevertheless, the DGP awarded the contract to a politically connected local company with no prior experience in oil exploration. Lagoon Resources noted that they offered the government far higher royalty and production sharing rates than those extended to the local company that was awarded the PSA, and alleged that the Minister of Natural Resources accepted a bribe of USD 1.5 million from the company that was awarded the contract. Lagoon claimed that the money was routed to the Minister through the purchase of a cable television business in northern Belize. (Comment: Embassy investigation confirmed the Minister's family recently acquired two cable companies. End Comment.)

14. (C) Miles Tropical Energy: Miles Tropical Energy (MTE) shared with Econoff a similar experience. They were awarded a SOA and spent nearly USD 100,000 and were asked just prior to expiration to submit all work completed to the government. They allege that they were subsequently told that the contract would be awarded to "our friends" unless MTE would agree to a financial contribution of USD 300,000 to the government's re-election campaign. They alleged that they were also told that the "friends" would become 50 percent owners of a new company that would then be awarded the

contract. The Miles Tropical Energy principal refused the offer and lost the contract. He subsequently told the Embassy that he could support his accusations because he had electronically recorded all the conversations.

¶15. (C) Separately, the Belizean Director of Geology and Petroleum (protect) (a "non-political" bureaucrat) confirmed to us that the decisions at the department were made, not for business reasons, but were predetermined at a higher level for political reasons. When questioned about the companies that were actually awarded the contracts he explained that they were local companies whose shareholders are strong supporters of the governing People's United Party. He also noted that the companies have no experience in the oil industry.

¶16. (C) While the events unfolded the Minister of Natural Resources was replaced. The former minister recently claimed that the terms originally offered by the local companies were more favorable to the Government than Lagoon's. He noted that he would not have supported the lower rates that were eventually accepted. The agreements were subsequently approved by the Cabinet on the more favorable terms.

Political Fallout

¶17. (C) On October 17, MTE contacted us stating that digital recording materials had been turned over to a local radio station. The MTE representative stated that the recordings implicated several government ministers in a bribery scandal concerning oil rights. He also noted that he had been threatened and was leaving the country in fear for his life. He explained that a USD 100,000 fee had been sent to the government by MTE to obtain a new agreement but that he thought the fee could be considered a bribe. Econoff advised consulting with legal counsel.

¶18. (U) The opposition United Democratic Party (UDP) received the recordings and copies of contracts and correspondence from both companies and detailed the allegations at a press conference called by opposition leader Dean Barrow. In response the CEO (Deputy Minister equivalent) of the Ministry of Natural Resources went on record to try to explain and justify how the PSAs were awarded.

¶19. (C) Comment: As one scandal fades, another rises, and the latest is untimely for the government as elections must take place before March 2008. The opposition has thus far been unable to take political advantage of the missteps and seemed ill prepared at their press conference.

¶10. (C) These recent allegations come on the heels of a significant drop in Belize's ranking in the Transparency International Corruption Perception Index. While proof is often elusive in these sorts of cases and there has never been a successful prosecution for corruption here, it is apparent that Belize's political elite has a serious and growing problem when it comes to ethics and accountability. The lack of any sort of campaign finance law leaves the door wide open for abuse. End Comment.

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